

Review: DCF Modeling Exam

Question 1

The next two questions use the data below. The data will be repeated on the next question:

You have been tasked with building a stand-alone DCF valuation for Milner Beverages, a publicly traded company, using the unlevered two-stage approach. You calculate the following:

\$ in millions	2017	2018	2019	2020	2021	2022	2023
Unlevered free cash flow	110.0	120.0	150.0	170.0	200.0	250.0	280.0

In addition, you calculate the following:

- WACC = 8.00%
- Perpetuity growth rate (annual growth rate of unlevered free cash flows after 2023) = 3.00%

Calculate enterprise value at the beginning of 2017 assuming all cash flows occur at year-end. Use whole numbers (i.e. 1 year exactly equals 1 period when calculating returns and discounting).

\$4,173.30

\$4,271.40

\$4,540.60

\$6,505.80

\$6,673.80

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Question 2

This question uses the same data as the previous question, shown below.

You have been tasked with building a stand-alone DCF valuation for Milner Beverages, a publicly traded company, using the unlevered two-stage approach. You calculate the following:

\$ in millions	2017	2018	2019	2020	2021	2022	2023
Unlevered free cash flow	110.0	120.0	150.0	170.0	200.0	250.0	280.0

In addition, you calculate the following:

- WACC = 8.00%
- Perpetuity growth rate (annual growth rate of unlevered free cash flows after 2023) = 3.00%

Using the mid-year convention, calculate the enterprise value as of December 31, 2016. Assume all cash flows, including perpetuity cash flows, occur midyear.

\$4,110.10

\$4,306.90

\$4,438.90

\$6,709.30

\$6,717.90